

January 27, 2009

Senator Joseph J. Crisco, Jr., Co-Chair
Representative Steve Fontana, Co-Chair
Joint Committee on Insurance and Real Estate
Room 2800, Legislative Office Building
Hartford, CT 06106

RE: Raised Senate Bill 456: An Act Adopting the National Association of Insurance Commissioners'
Interstate Insurance Product Regulation Compact

Dear Senator Crisco, Representative Fontana and Members of the Committee:

As you are aware, the Joint Committee on Insurance and Real Estate of the Connecticut Senate and House of Representatives is currently considering SB 456 to create the Interstate Insurance Product Regulation Compact. In my role as the General Counsel of the National Association of Insurance Commissioners (NAIC), I write to urge your support for SB 456 and to provide you additional information about this bill.

The NAIC is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia, American Samoa, Guam, Puerto Rico and the Virgin Islands. Formed in 1871, it is the oldest association of state officials. The NAIC supports the Interstate Insurance Product Regulation Commission (the Commission or IIPRC) as a successful vehicle leveraging technology and interstate cooperation to ensure the highest quality of consumer protection for insurance consumers.

The compact legislation (SB 456) under consideration by the Connecticut Senate and House of Representatives is based on a model developed by the NAIC in consultation and collaboration with the National Conference of State Legislatures (NCSL) and the National Conference of Insurance Legislators (NCOIL). The NAIC continues in an integral role by providing significant operational support to the Commission.

The NAIC and its member state officials have witnessed the birth and rapid growth of the Commission. Before the Commission's inaugural meeting in June 2006, the compact legislation was adopted by 27 states in 27 months, representing 41% of the national premium volume for life insurance, annuities, disability income and long-term care insurance. The IIPRC continued to pick up speed during its implementation phase, meeting its targeted objective of starting product filing operations one short year later, in June 2007.

The efficiency with which the IIPRC started operations and performs its key product filing and approval function reflects the crucial importance the NAIC and its member state regulators, such as the Connecticut Insurance Department, place on modernization of insurance regulation. The compact created under SB 456 is at the forefront of progress toward modernization in response to increasing scrutiny of insurance regulation at the federal level. The enactment of the Gramm-Leach-Bliley

456

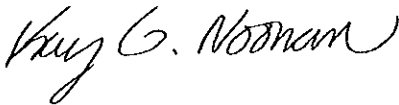
Financial Modernization Act of 1999 directly and indirectly affected many areas of state insurance regulation, with a key emphasis on increased attention to uniformity, harmonization and coordination among the states. There have been numerous reports issued by the Government Accountability Office, as well as Congressional hearings, covering a broad range of subject matter in the insurance marketplace. Such efforts are focusing on areas where possible enhancements could be made to state insurance regulation, as well as the current consideration in Congress for the creation of a federal insurance regulator.

I am confident that the Connecticut Senate and House of Representatives share the NAIC's view that state-based regulation represents the best form of consumer protection. This compact legislation and the IIPRC carry out this objective while promoting an efficient, robust, competitive marketplace for asset-based insurance products. Through its professional staff and embrace of internet technology, the IIPRC leverages proven state insurance regulatory expertise into a national approach which provides the speed-to-market platform for one set of uniform insurance regulatory standards with one central point of electronic filing for one product approval that is valid in all current 33 member states and growing. Furthermore, membership in the Commission allows state insurance departments to more efficiently use department resources originally designated for product review towards other regulatory operations, including a focus on important market conduct surveillance and enforcement.

In its consideration of SB 456, the Joint Committee on Insurance and Real Estate, and through it the residents of Connecticut, have an advantage over the other state legislative bodies that enacted the Compact before it became operational. Today, the 33 Commission member states, representing 50% of the national premium volume, and their citizens are seeing the benefits of this compact. Insurance products have been approved through the IIPRC in accordance with uniform product standards, which are the result of transparent processes including public comment and the oversight of the Commission's Legislative Committee. The Commission is moving beyond its initial start-up phase to a fully functional product filing and review operation receiving filings from large, medium and small sized insurers, some of whom are authorized to do business in Connecticut and, I expect, would welcome the opportunity to extend their IIPRC-approved products to this market.

In closing, I recommend SB 456 to you for your full consideration and support. Should you have any questions or need further information from the NAIC, please do not hesitate to contact me. Thank you for your interest in and attention to this matter.

Sincerely,



Kay G. Noonan
General Counsel